

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

FEDERAL INSURANCE MITIGATION ADMINISTRATION (FIMA)

APPEAL DECISION

FEMA Flood Insurance Appeal Decision #C37

OVERVIEW

The policyholders filed an appeal on July 2020, alleging their flood insurance carrier (hereinafter “insurer”) improperly denied part of their claim under the Standard Flood Insurance Policy (SFIP)¹ for damages to covered property arising from a claimed loss event dated June 2020.²

In its review, FEMA found the following facts relevant:

- At the time of loss, the policyholders had \$30,000 in personal property coverage with a \$2,000 deductible. The policyholders are tenants, residing on the first floor of an apartment complex.
- The policyholders notified the insurer of the loss and they sent an adjuster to inspect the damage.
- On May 2020, the adjuster inspected the insured property and recorded a 10-inch watermark on the exterior of the apartment building. The adjuster could not inspect the interior of the apartment, as tenants were not allowed to re-enter their apartments until approved by the City of Salem.
- The adjuster’s photographs documented that the insured apartment is subgrade on all sides, making it a basement and subject to the coverage restrictions in the SFIP.
- The policyholders provided pictures of his damaged personal property sitting in standing floodwaters. The photographs show several inches of water were present in the interior of the unit.
- In a letter to the policyholders dated June 2020, the insurer denied coverage for personal property citing the basement coverage restrictions of the SFIP.
- On appeal, the policyholders feel it is unfair that they paid premium for personal property coverage that is not covered on the first floor. In support of their appeal, the policyholders include photographs of the floodwaters within the apartment.

RULES

The insurer will pay the policyholders for direct physical loss by or from flood to covered property, provided the policyholders complied with all terms and conditions of the SFIP.³

¹ See 44 C.F.R. § 61.13 (2019); Dwelling Form available at 44 C.F.R. pt. 61 App. A(1) [hereinafter “SFIP”].

² The policyholders file this appeal under 44 C.F.R. § 62.20. The appeals process is available after the insurer issues a written denial, in whole or in part, of the policyholders’ claim. The policyholders’ appeal and related documents concerning the appeal, claim, or policy are on file with FEMA, Federal Insurance and Mitigation Administration, Federal Insurance Directorate, Policyholder Services Division, Appeals Branch [hereinafter “Appeal File”].

³ See SFIP (I), (II)(B)(12).

The SFIP defines a basement as any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.⁴

Items of personal property within a basement, regardless of zone, are subject to coverage restrictions limited to the items listed in the SFIP.⁵

ANALYSIS

The policyholders appeal the denial stating they were unaware that their first-floor unit is considered a basement and subject to coverage limitations. They believe it is unfair that they paid a premium for a policy that does not cover their personal property from flood damage.

The insurer agrees to pay the policyholders for direct physical loss by or from flood to covered property, provided the policyholders complied with all terms and conditions of the SFIP. Here, the adjuster documented that the apartment unit is subgrade, or below ground, on all sides, and therefore meets the definition of a basement as defined by the SFIP. The SFIP defines a basement as any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides. Photographs taken by the adjuster around the perimeter of the apartment building, confirm the first-floor apartment units are basements, as defined by the SFIP.

With their appeal, the policyholders provide photographs showing floodwaters inside their unit and the resulting flood damage to their personal property items. While it is clear the policyholders suffered flood damage to their personal property, the apartment is classified as a basement and is therefore subject to coverage restrictions. Within a basement, coverage is limited to the personal property items listed in the SFIP, which include 1) air conditioning units, portable or window type, 2) clothes washers and dryers, and 3) food freezers, other than walk-in, and food in any freezer. Any personal property located in a basement that is not one of these named items, is not covered.

Based on the information presented, FEMA finds the insurer properly denied the claim. There is no evidentiary basis for FEMA to overturn the denial or instruct the insurer to re-evaluate.

CONCLUSION

Based on the facts and analysis above, FEMA concurs with the insurer's decision to deny coverage for personal property subject basement coverage restrictions.

FEMA recommends the policyholders contact their insurance agent to discuss their insurance coverage to ensure it meets their needs.

⁴ See SFIP (II)(B)(5).

⁵ See SFIP (III)(B)(3).